FISCAL TRANSPARENCY and the OPEN BUDGET SURVEY

Paul Barker
Institute of National Affairs

OPEN GOVERNEMENT PARTNERSHIP
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OGP MEMBERSHIP BASED UPON REACHING SCORE OF 75% OR MORE POINTS UNDER ELIGIBILITY CRITERIA, notably under the four critical areas of open government: fiscal transparency, access to information, asset disclosure and citizen engagement. PNG met OGP eligibility criteria in 2014. It would subsequently barely squeak though.

PNG’s basic governance pillars seem strong: set out in the Constitution and Laws of the land, including on FOI, and laws on Public Finances and Audits. But the laws belie reality, with limited civic awareness, FOI not translated into practical or enforceable measures and fiscal laws partially circumvented and audits and other accountability measures late, incomplete and ignored.

FISCAL TRANSPARENCY and SOUND FINANCIAL MANAGEMENT: A CORNERSTONE of effective governance; we have a long way to go, but some signs from Treasury and other institutions that we’ve turned the corner on Fiscal Transparency and that for the Open Budget Survey 2019 (based partially on 2018 data) several additional criteria will be met, or partially met.
OPEN BUDGET SURVEY 2017
The Open Budget Survey (OBS) is the only independent, comparative, and regular measure of budget transparency and accountability around the world. The OBS is produced by independent budget experts with no ties to government.

- The Open Budget Survey 2017 measures whether governments in 115 countries produce and make publicly available online and in a timely manner eight key budget documents recommended by international good practices. It also examines formal oversight institutions and opportunities for public participation in national budget decision making.
- The OBS is not an opinion survey but rather measures observable facts using 145 scored indicators.
- This is the sixth round of the Open Budget Survey, with earlier assessments occurring in 2006, 2008, 2010, 2012, and 2015. PNG has participated since 2006.
In recent years, there has been a decline in public trust around the world, in part owing to governments unable or unwilling to respond to major challenges, such as mismanagement of public resources and dramatic increases in inequality. Because open and accountable public budgeting at the heart of democratic practice, the first place to look for ways to strengthen the interaction between governments and citizens.

Open Budgets are not the only requirement for Good Budgets, and Accountability, but the first prerequisite. Much evidence from around the world that Open Budgets, at the National and Local levels, results in better budgetary outcomes for citizens, in terms of better use of public money to deliver core services and other functions of government needed by the public; (usually local level budgets of greatest interest to local populations in providing local public goods, but national budgets underlie local budgets)
The Open Budget Survey assesses whether the basic conditions needed for representative democracy to function – the free flow of information, effective oversight, and opportunities for public participation in decision making – are being met in the budget sphere.

The OBS 2017’s examination of transparency, oversight, and participation in the budget process shows that no country has adequate practices in all three areas, largely because governments are failing to create formal spaces for citizens to have a voice in budget decision making. Further, in 22 of the 115 countries assessed, all three areas of a well-functioning accountability system are weak.

Of particular concern, the OBS 2017 finds that progress toward greater budget transparency globally stalled, declining modestly for the first time since IBP began measuring.
There are large gaps in the amount of budget information that governments are making available to the public.

- The state of budget transparency around the world is limited, with many governments failing to publish key documents. Three in four surveyed countries fail to provide sufficient information to the public on their national budgets and receive scores of 60 or less (out of 100) on the Open Budget Index (OBI), the part of the survey that measures budget transparency.

- Twenty-seven of the 115 countries assessed fail to publish the Executive’s Budget Proposal, the foundational document that describes the government’s proposed budget policies.

- Nearly 40 percent of budget documents that should be published worldwide are not available to the public. They are either not produced at all, produced for internal use only, not released online, or published too late to be useful.
• Even when documents are published, they frequently lack sufficient detail. For example, basic information that many citizens would likely wish to have on sector spending, budget implementation, and the goals and outcomes of spending are missing in many budget documents.

• Among the worst performers on budget transparency are Equatorial Guinea, Lesotho, Niger, Qatar, Venezuela, and Yemen; none of these countries publish any of the key budget documents. (Some of these are very resource rich countries, notably oil producing; some are also prone to heavy conflict.)

• Only five countries surveyed release extensive budget information. Those top-tier countries are Georgia, New Zealand, Norway, South Africa, and Sweden.

• There is nothing regionally or culturally determined about budget transparency. The 11 countries that publish all eight key documents are spectacularly diverse, representing all major regions of the world: Brazil, Bulgaria, Georgia, Indonesia, Italy, Jordan, Mexico, New Zealand, Peru, South Africa, and Sweden.
A Global Picture of Budget Transparency in 2017
Progress toward greater transparency has stalled for the first time since IBP began measuring it over a decade ago. Halting progress toward greater transparency is particularly discouraging in light of the low level of global transparency.

- The average OBI score fell from 45 in 2015 to 43 in 2017 for the 102 countries surveyed in both rounds.
- An important driver of this year’s change in transparency trends is the reversal of previous gains in Sub-Saharan Africa. Of the 27 countries in Sub-Saharan-Africa included in both the 2015 and 2017 surveys, 22 saw their transparency scores fall in 2017. In contrast, scores in Asia increased on average, making up for part of the losses South Asia experienced in 2015. Other regions saw slower growth or modest declines in their scores.
- Not all countries experienced a decline in transparency in the OBS 2017. Some, including Georgia, Jordan, Mexico, and Senegal, have experienced substantial gains in transparency since they were first included in the survey. These four countries show that any government can register impressive gains in transparency. These gains are the result of efforts by government champions, active and engaged civil society and citizens, a vigilant media, and committed donors and private sector institutions.
Problems associated with a lack of budget transparency compounded by few opportunities for public participation in budgeting and by the existence of weak and ineffective oversight institutions.

- Only four countries have scores that indicate moderate opportunities for public participation (between 41 and 60): Australia, New Zealand, the Philippines, and the United Kingdom.

- Tested mechanisms for enhancing citizen participation exist. The South Korean government has established a Waste Reporting Center, where citizens can register their complaints about the government’s inefficient use of resources.

- The government of the Philippines made a concerted effort to work with civil society organizations through Budget Partnership Agreements, which have led to increased engagement, collaboration, and advocacy for reforms between the government and CSOs.

**Systematic reform of the public finance system requires stakeholders to work together to ensure that information is available; that efficient, equitable, and responsive decisions are made; and that those decisions are effectively implemented.**
OPEN BUDGET SURVEY 2017

PAPUA NEW GUINEA

TRANSPARENCY OPEN BUDGET INDEX

50 OUT OF 100

Papua New Guinea provides the public with limited budget information.

PUBLIC PARTICIPATION

6 OUT OF 100

Papua New Guinea provides few opportunities for the public to engage in the budget process.

BUDGET OVERSIGHT

31 OUT OF 100

By Legislature & Audit

The legislature and supreme audit institution in Papua New Guinea provide weak oversight of the budget.
Drawing in internationally accepted criteria developed by multilateral organisations, the Open Budget Survey uses 109 equally weighted indicators to measure budget transparency. These indicators assess whether the central government makes 8 key budget documents available to the public online in a timely manner and whether these documents present budget information in a comprehensive and useful way.
Each country receives a composite score (out of 100) that determines its ranking on the Open Budget Index – the world’s only independent and comparative measure of budget transparency.
How does budget transparency in Papua New Guinea compare to others?

- Global Average: 42
- New Zealand: 89
- Australia: 74
- Japan: 60
- South Korea: 60
- Papua New Guinea: 50
- Fiji: 41
- China: 13
How comprehensive and useful is the information provided in the key budget documents that Papua New Guinea publishes?

- **Pre-Budget Statement**: Published late
- **Executive’s Budget Proposal**: 64
- **Enacted Budget**: 83
- **Citizens Budget**: Not produced
- **In-Year Reports**: Not produced
- **Mid-Year Review**: 82
- **Year-End Report**: 48
- **Audit Report**: Not produced

The scale ranges from 'Scant' to 'Extensive', with 'Substantial' being the midpoint.
Papua New Guinea’s score of 50 out of 100 is moderately higher than the global average score of 42.

Papua New Guinea’s score of 50 on the 2017 Open Budget Index is largely the same as its score in 2015. Moreover, Papua New Guinea has failed to make progress in the following ways:

- Not producing In-Year Reports, an Audit Report, or a Citizens Budget.

Since 2015, however, Papua New Guinea has decreased the availability of budget information by:

- Failing to publish the Pre-Budget Statement online in a timely manner.
**Key Budget Documents**

**Pre-Budget Statement**: discloses the broad parameters of fiscal policies in advance of the Executive's Budget Proposal; outlines the government's economic forecast, anticipated revenue, expenditures, and debt.

**Executive's Budget Proposal**: submitted by the executive to the legislature for approval; details the sources of revenue, the allocations to ministries, proposed policy changes, and other information important for understanding the country's fiscal situation.

**Enacted Budget**: the budget that has been approved by the legislature.

**Citizens Budget**: a simpler and less technical version of the government's Executive's Budget Proposal or Enacted Budget, designed to convey key information to the public.
**In-Year Reports:** include information on actual revenues collected, actual expenditures made, and debt incurred at different intervals; issued quarterly or monthly.

**Mid-Year Review:** contains a comprehensive update on the implementation of the budget as of the middle of the fiscal year; includes a review of economic assumptions and an updated forecast of budget outcomes.

**Year-End Report:** describes the situation of the government’s accounts at the end of the fiscal year and, ideally, an evaluation of the progress made toward achieving the budget’s policy goals.

**Audit Report:** issued by the supreme audit institution, this document examines the soundness and completeness of the government’s year-end accounts.
Transparency alone is insufficient for improving governance. Public participation in budgeting is vital to realise the positive outcomes associated with greater budget transparency.

To measure public participation, the Open Budget Survey assesses the degree to which the government provides opportunities for the public to engage in budget processes. Such opportunities should be provided throughout the budget cycle by the Executive, the Legislature and the Supreme Audit (Auditor General’s)

PUBLIC PARTICIPATION

How does public participation in Papua New Guinea compare to other countries in the region?

- Global Average: 12
- New Zealand: 59
- Australia: 41
- South Korea: 39
- Japan: 20
- Fiji: 15
- China: 6
- Papua New Guinea: 6

Few | Limited | Adequate
The questions assessing participation in the Open Budget Survey 2017 were revised to align them with the Global Initiative for Fiscal Transparency’s new principles on public participation, which now serve as the basis for widely accepted norms on public participation in national budget processes. Therefore, data on the extent of public participation in budgeting in the Open Budget Survey 2017 cannot be compared directly to data from earlier editions.

Papua New Guinea’s score of 6 out of 100 indicates that it provides few opportunities for the public to engage in the budget process. This is lower than the global average score of 12.
To what extent do different institutions in Papua New Guinea provide opportunities for public participation?

- Executive: 9 (Few)
- Legislature: 0 (Limited)
- Supreme Audit Institution: 0 (Limited)
The Open Budget Survey examines the role that legislatures, supreme audit institutions, and independent fiscal institutions play in the budget process and the extent to which they are able to provide effective oversight of the budget. These institutions play a critical role — often enshrined in national constitutions or laws — in planning budgets and overseeing their implementation.

These indicators were revised to better assess the role of formal oversight institutions in ensuring integrity and accountability in the use of public resources. Therefore, data on the role and effectiveness of oversight institutions in the Open Budget Survey 2017 should not be compared directly to data from earlier editions.
To what extent does the legislature in Papua New Guinea provide budget oversight?

The legislature provides **weak** oversight during the budget cycle. This score reflects that the legislature provides weak oversight during the planning stage of the budget cycle and weak oversight during the implementation stage of the budget cycle.
The main barriers to effective legislative oversight are:

- A debate on budget policy by the legislature does not take place prior to the tabling of the Executive’s Budget Proposal.
- Legislative committees do not examine and publish reports on their analyses of the Executive’s Budget Proposal online.
- A legislative committee does not examine or publish reports on in-year budget implementation online.
To what extent does the Supreme Audit Institution in Papua New Guinea provide budget oversight?

The supreme audit institution provides weak budget oversight.

- Under the law, it has full discretion to undertake audits as it sees fit.
- Moreover, the head of the institution cannot be removed without legislative or judicial approval, but is not appointed by the legislature or judiciary, which calls into question its independence.
- Finally, the supreme audit institution is provided with insufficient resources to fulfill its mandate, and its audit processes are not reviewed by an independent agency.
Oversight by an Independent Fiscal Institution

Papua New Guinea does not have an independent fiscal institution (IFI). While IFIs are not yet widespread globally, they are increasingly recognized as an important source of independent, nonpartisan information. IFIs take a variety of different institutional forms. Common examples include parliamentary budget offices and fiscal councils.

For more detailed information on the survey findings for Papua New Guinea, please see the Open Budget Survey Data Explorer at survey.internationalbudget.org.
How can Papua New Guinea improve transparency?

Papua New Guinea should prioritize the following actions to improve budget transparency:

- Publish a Pre-Budget Statement online in a timely manner.
- Produce and publish In-Year Reports, an Audit Report, and a Citizens Budget.
- Increase the information provided in the Year-End Report by including comparisons between planned nonfinancial outcomes and actual outcomes and comparisons between original macroeconomic forecasts and actual outcomes.
How can Papua New Guinea improve participation?

Papua New Guinea should prioritize the following actions to improve public participation in its budget process:

- Pilot mechanisms for members of the public and executive branch officials to exchange views on national budget matters during both the formulation of the national budget and the monitoring of its implementation. These mechanisms could build on innovations, such as participatory budgeting and social audits. For examples of such mechanisms, see www.fiscaltransparency.net/mechanisms/.

- Hold legislative hearings on the formulation of the annual budget, during which members of the public or civil society organizations can testify.

- Establish formal mechanisms for the public to assist the supreme audit institution in formulating its audit program and to participate in relevant audit investigations.
How can Papua New Guinea improve oversight?

Papua New Guinea should prioritize the following actions to make budget oversight more effective:

- Ensure legislative committees examine and publish reports on their analysis of the Executive’s Budget Proposal online.
- Ensure a legislative committee examines and publishes reports on in-year budget implementation online.
- Ensure the supreme audit institution has adequate funding to perform its duties, as determined by an independent body (e.g., the legislature or judiciary).
- Consider setting up an independent fiscal institution.
So, for 2018 and the 2019 Open Budget Survey Outcomes, PNG is expected to produce all 8 Budget Documents:

- The Pre-Budget Statement
- The Executive’s Budget Proposal – ensure more comprehensive budget data, including on debt/contingent liabilities, including from SOEs (Kumul Petrot/Holdings etc)
- Enacted Budget – release in timely manner, in cooperation with Open Parliament
- Citizen’s Budget – convert from the Lockup presentation and a Tok Pisin version (not necessarily undertaken by Treasury); also Provinces and Districts prepare CBs
- In-Year Reports (at least 2, in a timely manner)
- Mid-Year Review (MYEFO)
- Year End Report (Final Budget Outcome)
- Audit Report – this will be a major challenge to be comprehensive and timely; needing resources and more timely submission of accounts to audit and pressure from Legislature (PAC)
The Open Budget Survey uses internationally accepted criteria developed by multilateral organizations from sources such as the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the International Organisation of Supreme Audit Institutions (INTOSAI) and the Global Initiative for Fiscal Transparency (GIFT).

It is a fact-based research instrument that assesses what occurs in practice through readily observable phenomena. The entire research process took approximately 18 months between August 2016 and January 2018 and involved about 300 experts in 115 countries. The Open Budget Survey 2017 assesses only events, activities, or developments that occurred up to 31 December 2016. The survey was revised somewhat from the 2015 version to reflect evolving methods for disseminating budget information and to strengthen individual questions on public participation and budget oversight. A discussion of these changes can be found in the Open Budget Survey Global Report (see link below).
Survey responses are typically supported by citations and comments. This may include a reference to a public document, an official statement by the government, or comments from a face-to-face interview with a government official or other knowledgeable parties.

The survey is based on a questionnaire that is completed for each country by independent budget experts who are not associated with the national government.
The draft responses to each country’s questionnaire are then independently reviewed by an **anonymous expert** who also has no association with the national government.

In addition, IBP invites nearly all **national governments** to comment on the draft responses and considers these comments before finalizing the survey results.

**Researchers** respond to comments from peer reviewers and their government, if applicable, and IBP referees any conflicting answers in order to ensure consistency across countries in selecting answers.
Despite repeated efforts, IBP was unable to get comments on the draft Open Budget Questionnaire results from the government of Papua New Guinea.

Research to complete this country’s Open Budget Survey was undertaken by:

Paul Barker
Institute of National Affairs
P. O. Box 1530
Port Moresby, NCD,
Papua New Guinea
Email: paul.barker@cimcpng.org

Further Information
Visit openbudgetsurvey.org for more information, including:
- The Open Budget Survey 2017: Global report
- Data explorer
- Methodology report
- Full questionnaire
**Associated Governance Mechanisms**

- The Open Budget Survey and (satisfactory) results, in terms of openness and accountability (including timely annual audits of the public account), comprise a component of the eligibility for the Open Government Partnership (OGP) to which PNG gained membership in 2015. OGP is a partnership for better development outcomes, between the State and Civil Society.

- Under the OGP, member countries produce National Action Plans (NAP), with PNG’s first NAP (long) awaiting finalisation and approval by the Government. Core components include Fiscal Transparency (e.g. Open Contracting etc), Freedom of Information (plus Whistleblower legislation and protection), transparent leadership/officials benefits, EITI compliance and improved service delivery, as well as technology to improve engagement/oversight.

- EITI (Extractive Industries Transparency Initiative) is a mechanism to improve accountability over resource extraction, including its regulatory processes and transfers, notably between Government, Private Sector and Civil Society, to ensure public interests are safeguarded and benefits suitably shared. PNG applied for membership of EITI in 2013 and is currently awaiting verification of compliance with the EITI standards for its 2015 and 2016 reporting.

- [https://www.pngeiti.org.pg/about-us/what-is-pngeiti/](https://www.pngeiti.org.pg/about-us/what-is-pngeiti/)
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Thank you